



Doing Business in Iceland: 2010 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Iceland

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Market Overview

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Iceland is a stable democracy with an active consumer economy. The pillars of the Icelandic economy are aluminum smelting, fishing and tourism. Its main material exports are aluminum, fish and fish products, and ferrosilicon. Renewable natural resources are ample and include rich fishing grounds, and cheap and clean power sources. The services sector, which suffered with the three major banks' collapse in October 2008, includes computer software and biotechnology companies.

The majority of imports to Iceland come from the European Economic Area (EEA), 64.8% in 2008, mainly from the Scandinavian countries, Germany, the Netherlands and UK. The U.S.' share of imports was 8.0% in 2008 making it the biggest importer after Norway and the Netherlands; China accounted for 6.6% of imports and Japan for 3.7%. Most of Iceland's exports go to the EEA, 80.6% in 2008, of which 34.4% went to the Netherlands; 5.5% went to the U.S. and 4.4% to Japan.

With a population of 320,000, the market is relatively small. Icelanders, however, are generally well-educated, with sophisticated tastes and acceptance of American consumer goods. Almost all Icelanders speak English, and there is no language barrier for Americans doing business in Iceland. Iceland is one of the most advanced countries in the world in the use of information and telecom technology.

The country suffered an economic crisis in October 2008 when the three largest commercial banks were taken over by the State. Protests directed towards the government followed, compelling it to resign. A new government was formed after early elections in May 2009 and continues its efforts to strengthen the economy.

Since late November 2008, the Central Bank of Iceland has implemented temporary rules restricting capital outflow as a measure to support the Icelandic currency, which depreciated 100 percent against the dollar in 2008. As of January 2010, capital controls remain in effect for all but new investments, though it is anticipated that the Central Bank will continue to gradually lift the restrictions.

Iceland's GDP of \$64,871 (2007) measured in ISK, rose by 1.3% in 2008, but fell by 5.5% in the first half of 2009 (against the same time period in the year before). Over the course of 2008, the Icelandic krona (ISK) depreciated by about 50% and unemployment

increased considerably, causing currency denominated debt to rise and purchasing power to fall. The ISK exchange rate was relatively stable in 2009.

Iceland is an island nation, about the size of the state of Kentucky. It is located in the North Atlantic Ocean between Greenland and Norway. The first settlers arrived from Norway in 874. Iceland achieved full independence from Denmark in 1944, having been ruled by the Norwegians and then Danes for almost 700 years. Iceland is a member of EFTA (1970) and the EEA (1994). It is also a member of NATO but has no armed forces of its own. The U.S., on behalf of NATO, bears primary responsibility for the defense of Iceland under the terms of a 1951 bilateral defense agreement. The U.S. maintained a Naval Air Station in Iceland until September 2006, when the base was closed. The Icelandic government submitted an application to join the EU in the summer of 2009. Once negotiations are concluded the agreement will be subject to a referendum. It remains too early to predict the results of such a referendum.

Market Challenges

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The main barriers to trade and market entry are:

- Lower purchasing power of households, which will create challenges for U.S. exporters, at least in the short term.
- Increasing adoption of EU product standards and regulations, such as food product labeling.
- High tariffs on most agricultural products.
- Restrictions on import of some products, such as raw meat, for phyto-sanitary reasons.
- Difficulty in obtaining financing for joint ventures as the banking sector is being restructured.

Temporary capital controls are currently in place in Iceland. Investors must register new investments with the Central Bank of Iceland to repatriate capital derived from those investments.

Market Opportunities

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Some of the attractive sectors in Iceland include:

- Energy intensive sectors: The majority of current U.S. investment in Iceland is in the aluminum sector. Opposition towards heavy industry has been increasing, however, both within the government and in the general public. The government is seeking to diversify Iceland's economic base by attracting clean industries that will employ its educated population.
- The film industry: Iceland offers special tax incentives to attract film production.
- Consumer products: Iceland is dependent on imported goods. Potential growth areas for exports to Iceland include electric generating equipment, processed foods, fresh produce, wine and beer, computer equipment and software, high-tech fishing equipment, aircraft and furniture.

The Government is currently in discussions with investors seeking to establish data centers and health tourism hospitals in Iceland. Exclusive oil and gas exploration licenses in the Dreki-area Northeast of Iceland were auctioned in May 2009, which generated limited interest.

Market Entry Strategy

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In Iceland's small society, people refer to each other by first name and personal relationships matter. A personal visit will go a long way in establishing a successful business relationship. As the market is small, it is very common that Icelandic companies act as agents for foreign exporters, handling importation, distribution and marketing.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3396.htm>

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Using an Agent or Distributor

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Importing and distribution of consumer and industrial goods in Iceland is generally handled by Icelandic wholesalers or agents, who often handle import, distribution and marketing of products; or by regional sales offices elsewhere in Europe. Retailers in Iceland often contact manufacturers and distributors in the U.S. directly. For U.S. business representatives visiting Iceland, a direct approach to importers and wholesalers is usually the best way to introduce a new consumer product to the Icelandic market. The Embassy Economic and Commercial Section can provide lists of importers and sellers of particular products.

Iceland has adopted EU Directive 86/653/EEC which establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key Link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

Iceland has adopted EU Directive 2000/35/EC that covers all commercial transactions, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the Directive entitles a seller who does not receive payment for goods/services within a month of the payment deadline to collect interest (at an interest rate 7 percentage points above of the Central Bank of Iceland's loans against collateral rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key Link:

http://ec.europa.eu/enterprise/policies/single-market-goods/documents/late-payments/index_en.htm

Data Privacy/Protection

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The EU's general data protection Directive (95/46/EC), which has been adopted in Iceland, spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. *Data subjects* must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter.

Establishing an Office

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The most common enterprises in Iceland are limited liability companies, either public or private. Branches of foreign limited liability companies can also be established. For an outline of the procedure see Invest in Iceland Agency's publication "Doing Business in Iceland". It is available at <http://www.invest.is/publications/>.

Franchising

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Icelanders are open to American franchises. U.S. fast food franchises in Iceland include KFC, Taco Bell, Subway, Pizza Hut, Dominos and Quiznos. Non-food U.S. franchises include RE/MAX, Hertz, Avis, Curves and Office One. Other U.S. companies that have franchise-like relationships in Iceland include, PricewaterhouseCoopers, Capacent, Deloitte, Microsoft, and KPMG.

Direct Marketing

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Direct marketing is practiced in Iceland but not to the same extent in the U.S. Methods include delivering leaflets to homes, television infomercials and telemarketing. The best

source of contact information for telemarketers is the Icelandic phonebook. It is published yearly in book form and can also be found online (<http://en.ja.is/hradleit/>). Entries are listed by first name. Some listed entities are marked with a white cross on a red background to denote they prefer not to be contacted by telemarketers.

The EU's Directive on distance selling to consumers (97/7/EC and amendments) has been implemented in Iceland. It sets out a number of obligations for companies doing business at a distance with consumers. Direct marketers must provide clear information on their identity as well as that of their supplier, full details on prices including delivery costs, and the period for which an offer remains valid before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Financial services are the subject of EU Directive 2002/65/EC. This legislation is designed to ensure that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for presenting contract information. Given the special nature of financial markets, specifics are also laid out for withdrawal of a contract.

Key Link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT>

Joint Ventures/Licensing

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The 1993 competition laws were reviewed in 2001 with amendments on joint ventures and the obligation on reporting on mergers. Iceland has adopted EU regulation (EC) No. 139/2004 on control of concentrations between undertakings. Joint ventures are subject to merger control.

Selling to the Government

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Iceland is a member of the WTO Government Procurement Agreement (GPA). On the national level, most procurement is the responsibility of the State Procurement Office (Ríkiskaup), an agency of the Icelandic Government. As an EEA member, Iceland is obligated to follow EU procurement practices, which require that any public procurement in excess of a certain price limit must be tendered for competitive bidding through EU procedures. Accordingly, qualifying Icelandic tenders are posted in English on the Tenders Electronic Daily (TED) website of the EU (www.ted.europa.eu) and are also accessible via the website of the U.S. Mission to the EU (www.buyusa.gov/europeanunion). The chief difficulty with the public tender process is that the bid deadline is often very short, which gives prospective U.S. bidders little time to respond, particularly if tender documents need to be translated from Icelandic. Additional material on State tenders can be obtained from the State Procurement Office (www.rikiskaup.is), but it is not always available in English.

Distribution and Sales Channels

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The majority of Icelanders live in the capital city and the suburbs surrounding it, extending out to the International Airport on the Reykjanes Peninsula. There are other populated towns on the coast, with the second largest town in the north. There are no population centers in the middle of the country. Distribution is concentrated around the capital, but cargo to other areas can be transported by air, boat or truck. There are no railroads in Iceland.

Selling Factors/Techniques

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There are many U.S. products on the Icelandic market and Icelanders are very familiar with leading U.S. brand names. Numerous U.S. franchise businesses operate, particularly in the fast food/restaurant sector. Popular U.S. television programs are broadcast in Iceland and first-run U.S. films play in Icelandic cinemas (in English with Icelandic subtitles). Many Icelanders have worked, studied, or traveled in the U.S. and have a first-hand familiarity with American tastes and life-styles. Although Icelandic culture is unique the consumption habits of Icelanders resemble those of Americans in many ways. There is typically only a single wholesaler or agent for a particular brand or product. Most communities outside the Reykjavík area are small, and the country can be considered a single market area.

Electronic Commerce

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Iceland follows European E-Commerce regulations. E-commerce consists of online banking and shopping, including sales of airline tickets and events tickets. Internet shopping for overseas goods is popular and there is an Icelandic online service company that coordinates delivery and shipping of US products to Iceland: www.shopusa.is.

Trade Promotion and Advertising

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All major types of advertising media are available in Iceland. There are two commercial television channels and numerous private radio stations in addition to the Government-owned Radio and TV stations, which also do advertizing. CNN, Fox News, Sky News, BBC News and other international channels are available via a widely-subscribed cable system. For a list of advertising agencies contact the Society of Icelandic Advertising Agencies (www.sia.is).

Newspaper readership in Iceland is very high. There are two principal newspapers: *Morgunblaðið*, a subscription publication and *Fréttablaðið* which is distributed free of charge. Two additional newspapers are *DV*, which is a tabloid-style paper currently publishing three times a week and the business journal, *Viðskiptablaðið*, which is

published only on Fridays. It is aimed at upscale readers in the commercial, financial, and government sectors and it is styled after the Financial Times of London.

Pricing

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Retail prices in Iceland can be high, reflecting the cost of shipping to an isolated location, the need to import most industrial inputs, tariffs and regulatory costs for certain items, and a general 25.5% Value Added Tax (VAT) for most items (it is 7% for food, books, magazines and a few other items).

Sales Service/Customer Support

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The extent of the service and support requirement is directly linked with the product in mind. A common service/support method is a response to customers' questions and follow up to requests is considered essential. E-mails and phone calls are the usual routines for communications. Some services offer overnight service all year round.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights (IPR) in Iceland. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Iceland than in the U.S. Third, rights must be registered and enforced in Iceland under local laws. U.S. trademark and patent registrations will not protect IPR in Iceland. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions. Companies may wish to seek advice from local attorneys or IP consultants.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Icelandic market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Iceland. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Icelandic law. The Consular section of the Reykjavík embassy can provide a list of local lawyers upon request (reykjavikconsular@state.gov).

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing

their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Iceland require constant attention. Work with legal counsel familiar with [INSERT MARKET] laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both international and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Nordisk Copyright Bureau (NCB)
- The Association of Film Right Holders in Iceland (SMAIS)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil,

China, Egypt, India, Russia, and . For details and to register, visit:

http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

IPR Climate in Iceland

There are several marks that indicate the importance for effective management of intellectual property rights in Iceland as Iceland adheres to key international agreements on property rights. The Icelandic legal system provides protection to property rights, including intellectual property. As a 1994 participant to the EEA agreement, Iceland has undertaken to obtain adherence with a series of multilateral conventions on industrial, intellectual, and commercial property.

- Iceland is an EEA country and therefore accepts jurisdiction of the EEA Court.
- As a member of EEA, Iceland has implemented all relevant EU regulations and directives in the field of IPR. Furthermore, Iceland is bound by bilateral EFTA free-trade agreements which include provisions on IPR.

Since 1962, Iceland has been a member of the "Paris Union" International Convention for the Protection of Intellectual Property (patents, trademarks, commercial names, and industrial design) to which the United States and about 80 other countries adhere. American business executives and inventors are therefore entitled to receive national treatment in Iceland (treatment equal to that accorded Iceland citizens), under laws regarding the protection of patents and trademarks. American nationals are also entitled to certain other benefits, such as the protection of patents against arbitrary forfeiture for non-working and a one-year "right of priority" for filing a patent application. The "right of priority" period for trademarks is six months. Applications or inquiries pertaining to intellectual property as well as industrial property should be addressed to:

Director
Einkaleyfastofan -- Icelandic Patent Office
Engjateigi 3,
IS-150 Reykjavík
Tel: +354 580-94-00
Website: <http://www.patent.is>
E-mail: postur@patent.is

Copyright and related rights should be addressed to:

Secretary General
Ministry of Culture and Education
Sölvhólsgrötu 4
IS-150, Reykjavík
Tel: +354 545-95-00
Website: <http://eng.menntamalaraduneyti.is/>
E-Mail: postur@mrn.stjr.is

The Icelandic Patent Office handles all patent disputes in Iceland. The legal framework concerning intellectual property rights (IPR) in Iceland is in all respects equivalent to that of other industrialized countries in Europe. Under Icelandic law, trademarks, copyrights, trade secrets and industrial designs are all protected. The Icelandic Constitution protects Property Rights.

Patents

Patents are protected under the terms of the EU/EEA agreement, which states that the participant countries comply in their law with the substantive provisions of the European Patent Convention of 1973, which Iceland ratified in 2004. Patent applications are examined for inventiveness and, if accepted, published for opposition for 3 months. If no opposition is filed or it is successfully overcome, the application is allowed and a patent is granted. Iceland's patent laws date from 1991. A patent issued by the Icelandic Patent Office is valid only in Iceland. The Icelandic Patent Office acts as the receiving office for international patent applications from Icelandic applicants. Application for a European patent can be filed in with the EPO in Munich, Haag and Berlin for example. Also, an applicant can file an application with the Icelandic Patent Office.

- Iceland adheres to the European Patent Convention of 1973 since 2004.
- Iceland has been part of the Patent Cooperation Treaty (PCT) since 1995.
- Iceland is a member of the European Patent Organization.
- Iceland is a member of WIPO since 1986 and a party to most WIPO administered agreements.

Copyrights

The Copyright Act from 1972, with later amendments, protects copyrights in Iceland. The term of copyright protection of a work is for the author's life plus 70 years after the author's death. It includes all literary, dramatic, musical, and artistic works. Copyright includes the sole right to produce and reproduce the work or a translation of it; to publish such a work or translation; to perform it in public; and to authorize others to do so.

Iceland is a signatory to various conventions for the protection of copyrights. It is a member of the Universal Copyright Convention to which the United States and about 60 other countries adhere. Works of American authors copyrighted in the United States are entitled to automatic protection in Iceland. Authors need only show on such works their name; year of publication and the symbol "C" in a circle to obtain copyright protection. Iceland is also a member of the "Berne Union" Copyright Convention since 1947 and member and signatory of the WTO's Trade Related Intellectual Property (TRIPS) Convention since 1995. Iceland is generally effective against conventional hard goods piracy. There has been one legal case against a web site devoted to BitTorrent file sharing, at the request of an Icelandic copyright holder association. The district court ruled in favor of the association and the site was closed down. The Supreme Court confirmed the ruling in February 2010. The Icelandic government has signaled to police and prosecutors that it wants to see them step up their effort to reduce Internet piracy. Iceland has access to the Swedish, infamous, Pirate Bay, the world's largest BitTorrent tracker and other top sites. Iceland is a World Trade Organization (WTO) member, and Icelandic legislation complies with WTO TRIPS requirements.

Trademarks

Iceland protects trademarks under the Trademark Act, No.45 from 1997 and has undertaken to adhere to the 1989 Madrid protocol since 1997. Trademark protection is gained by registering or using a trademark. Trademark applications in Iceland are filed with the Icelandic Patent Office. A trademark registration is valid for 10 years at a time and can be renewed as often as the trademark's owner wishes. Trademark right is limited to each state, i.e. a registration in Iceland only gives protection locally and not in other countries. It is possible to apply for an international registration based on an Icelandic application or registration, through the Madrid registration system. To be registered, trademarks must fulfill certain conditions set forth in the Trademarks Act nr. 45/1997 (<http://www.els.is/media/banners/Trade-Marks-Act.pdf>). Trademarks may not be of a general nature or descriptive for the goods or services they are supposed to be registered for. Trademarks may not be registered if they are identical to or closely resemble trademarks that have already been registered for similar goods or services. A trademark application must specify which goods or services the mark will stand for. The specification is made according to the international classification of goods and services, otherwise known as the Nice classification. The Patent Office receives applications and examines their suitability for registration, for example with regard to registered trademarks. Marks which fulfill the conditions of the Trademarks Act are registered and published in the Patent Gazette, a monthly Patent Office publication. Iceland adopted

the Nice Agreement on International Classification System for registration purposes in 1995.

Further details on IPR protection can be found in Chapter 6 – Investment Climate Statement.

Due Diligence

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The U.S. Foreign and Commercial Service in Stockholm, in cooperation with the U.S. Embassy in Reykjavík, offers the International Company Profile program which provides you with background reports on potential agents, distributors as well as other Icelandic firms. The report includes:

- Detailed background report on a prospective overseas sales representative or partner
- Listing of the company's key officers
- Banking and other financial information
- Market information, including sales, profit figures and liabilities
- Our insight on the strength of the prospective partner

Credit reports on Icelandic companies can be obtained by contacting information databases on defaults and debtors. Companies offer all kinds of services regarding credit reports and background checks.

Local Professional Services

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The Embassy's Consular Section maintains a list of local attorneys that is available on request along with guidelines on retaining an attorney in Iceland. Please contact the Consular Section at reykjavikconsular@state.gov. Inquiries may also be directed to the Icelandic Bar Association, see website www.lmfi.is

Web Resources

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Ministry of Economic Affairs
<http://eng.menntamalaraduneyti.is/>

Ministry of Education
<http://eng.menntamalaraduneyti.is/>

Invest in Iceland Agency:
www.invest.is

Federation of Trade and Services (SVTH):
www.svth.is

Icelandic American Business Forum:
www.iceabf.com

Chamber of Commerce:

www.vi.is

State Procurement Office (Ríkiskaup):

www.rikiskaup.is

U.S. Mission to the EU:

www.buyusa.gov/europeanunion/47.html

The Society of Icelandic Advertising Agencies (SÍA):

www.sia.is

Morgunblaðið:

www.mbl.is

Fréttablaðið:

www.frettabladid.is

Viðskiptablaðið:

www.vb.is

The Icelandic Patent Office

www.patent.is

The Icelandic Bar Association:

www.lmfi.is

The Association of film rights-holder in Iceland

www.smais.is/

Nordisk Copyright Bureau

www.ncb.dk

Credit info Iceland

www.creditinfo.is

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Electricity generation equipment

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Almost 100% of Iceland's electricity is produced in hydro- and geothermal power plants. For statistics see www.os.is. A few power plants and transmission lines are currently under construction -- or in planning stages -- to feed energy intensive industry. There are three main electricity producers: Landsvirkjun, which is state owned; Reykjavík Energy, owned by three municipalities; and HS Energy, owned by local municipalities until recently when the majority of the company's shares were sold to private investors, some of whom are foreign.

As Landsvirkjun and Reykjavík Energy are publicly owned, tendering is mandatory if the value exceeds a certain price limit. The price limit depends on the nature of the purchase. Tenders can be found online the European TED database (www.ted.europa.eu). It is yet to be determined if tendering is still mandatory for HS Energy now that private parties acquired the majority of the shares. The majority of tender bids and inquiries come from European companies, but Chinese companies have been increasingly active in bidding. According to an employee of one of the power companies, the firm bought more U.S. products before tendering became mandatory.

Best Prospects/Services

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U.S. power plant items and parts, e.g. turbines and generators, are likely to be competitive.

Opportunities

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There are opportunities for U.S. companies in selling products to upgrade, maintain and repair power plants.

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Ministry of Industry:
<http://eng.idnadarraduneyti.is/>

Landsvirkjun:
www.lv.is

Reykjavík Energy (Orkuveita Reykjavíkur):
www.or.is

HS Energy:
www.hs.is

National Energy Authority (Orkustofnun):
www.os.is

Tenders Electronic Daily:
www.ted.europa.eu

Packaged and processed food

Overview

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In 2008 imports of food and drink products to Iceland were above \$300 million. Despite the difficulties of coping with European regulations (i.e., labeling, ingredient limitations) and the economic downturn, demand for American foodstuffs should continue.

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Grains, cereals, canned foods, soda, candy, snack foods.

Opportunities

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U.S. producers can help by being willing to work with Icelandic importers on packaging and labeling requirements. Familiarity with and willingness to try American brands is high. In November 2009 a retail store modeled after box stores such as Costco and Sam's Club opened in Iceland, introducing some U.S products to the market for the first time.

Resources

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Ministry of Business Affairs:
<http://eng.vidskiptaraduneyti.is/>

Ministry of Agriculture and Fisheries:
<http://eng.sjavarutvegsraduneyti.is/>

The Icelandic Food and Veterinary Authority – MAST
<http://www.mast.is>

The Federation of Icelandic Trade (FIS):
www.fis.is

Major wholesalers of U.S. products:

Íslensk Ameríska (ISAM):
www.isam.is

Innnes:
www.innnes.is

John Lindsay ehf.:
www.lindsay.is

Karl K. Karlsson:
www.karlsson.is

Dreifing ehf.
www.dreifing.is

Aðföng:
www.adfong.is (Icelandic only)

Danól
www.danol.is

Computer equipment and software

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Iceland is among the most computer-savvy countries in the world, and demand for the latest computer hardware and off-the-shelf software reflects this. According to the Global Information Technology Report for 2007-2008 Iceland ranked number 8 of 127 economies in terms of network readiness. The Icelandic software market is sophisticated with several domestic software development companies, and a few global software companies. Icelandic customers are accomplished IT users and are looking for the latest solutions that will increase customer service, cost savings and also enhance business processes. U.S. products are popular in Iceland. Information on investment opportunities in the IT industry in Iceland can be found at Invest in Iceland Agency (www.invest.is).

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Demand is expected in the following segments: U.S. manufactured hardware, solutions for information management, applications for increased mobility, e-business, and information security.

Opportunities

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Iceland has rich energy resources and a cool climate that make it attractive for data storage and processing equipment. Several data storage firms are in the process of establishing infrastructure. Future connectivity capacity to North America will enhance data processing opportunities.

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Invest in Iceland Agency:
www.invest.is

Apple:
www.apple.is

Nýherji/IBM:
www.nyherji.is

Opin Kerfi ehf./HP:
www.opinkerfi.is

Microsoft Iceland:
www.microsoft.com/iceland/msdk/

EJS/Dell:
www.ejs.is

Skýrr/Oracle:
www.skyrr.is

World Economic Forum; the Global Information Technology Report
<http://www.weforum.org/en/initiatives/gcp/Global%20Information%20Technology%20Report/index.htm>

Consumer goods and entertainment

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The majority of Icelandic households are dual-income, and there is demand for labor saving devices and the latest gadgets. This market could continue to be attractive on both a category and niche basis, despite the economic downturn.

Best Prospects/Services

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Electrical appliances, computer software and hardware, music products, CD's, DVD's.

Opportunities

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American consumer products are popular in Iceland. There are numerous examples of U.S. products that have a higher market penetration per capita in Iceland than anywhere else in Europe. Also, the market for U.S. entertainment products remains bright, and exposure to American entertainment products appears to have a synergistic effect on sales of other U.S. goods and services. U.S. based music and movies have always had a strong market in Iceland and often, world premieres of movies are shown in Iceland, popular groups perform concerts and computer games from the U.S. have a strong fan base in Iceland. The fact that some companies do not accept Icelandic credit cards and/or ship internationally, and do not allow Icelanders to download from their online stores, limits opportunities.

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The Federation of Icelandic Trade (FIS):
www.fis.is

Franchising

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Over the last decade U.S. fast food franchises have flourished, with at least 10 U.S. franchises in Iceland today, most of them fast-food chains.

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In the clothing and apparel sector European franchises are dominant, but U.S. brands in clothing and accessories are consistently popular in Iceland and there could be a base for increasing U.S. franchises in that sector to Iceland. Service franchises are also a possibility.

Opportunities

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Icelanders often approach the Embassy with inquiries on how to buy a U.S. franchise in the all areas. The Embassy co-hosted two seminars on franchise concepts in 2008 and both were fully subscribed, and the Embassy led a 13-member Icelandic trade delegation to the International Franchise Expo in April 2008.

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Federation of Trade and Services:

<http://www.svth.is/content/view/157/44/>

The US Embassy in Iceland:

<http://iceland.usembassy.gov/>

Alcoholic beverages

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There is a state monopoly on the retailing of alcoholic beverages. In addition to selling to the government owned retailer, ÁTVR, wholesalers sell directly to bars, restaurants and hotels. In 2008 ÁTVR alone sold alcoholic beverages for \$142 million.

Icelanders drinking preferences have steadily changed in recent years from favoring hard liquor to a growing preference for wine and beer. Economic prosperity brought an increased interest in fine wines, but with the economic downturn they've become less popular again. Inexpensive boxed wines are gaining in popularity. The old-fashioned regulations of Iceland's state alcohol monopoly -- retail sales of alcohol are permitted at a single chain of state-owned stores -- retard competition and complicate the introduction of new labels, but these rules are slowly being liberalized, and this is creating enhanced opportunities for these products.

There are exclusive arrangements for imports of many brands. For example, if one importer imports Heineken, that relationship is exclusive and no other importer imports that brand. This is not governed by any law, but rather is an understood business practice for the small Icelandic market.

The purchase price of all alcohol includes a fee imposed by the Icelandic authorities. Law no. 96/1995 indicates that the fee is to be set on the percentage of alcohol in each liter. All importers of alcohol must pay this fee on top of customs fees.

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Wines, beers and spirits.

Opportunities

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American wines, particularly from the state of California, have become quite popular in Iceland. The Icelandic importer of one upscale American brand reports that he distributes as much wine in Iceland as does his counterpart in Norway, even though Norway has almost 20 times Iceland's population. American beer, particularly small brewery beer, is also gaining in popularity.

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Wine and beer importers:

Ölgerðin Egill Skallagrímsson:
www.egils.is

RJC:
www.rjc.is

Karl K. Karlsson:

www.karlsson.is

Mekka Wine and Spirits ehf:

www.mekka.is (website only in Icelandic)

Bakkus:

www.bakkus.is (website only in Icelandic)

HOB:

www.hob.is (website only in Icelandic)

Rafkóp Samvirki:

www.samvirki.is (website only in Icelandic)

Elgur ehf.

<http://www.itn.is/elgur/um.htm> (website only in Icelandic)

Retailer:

Vinbúðin (owned by ÁTVR):

www.vinbud.is

Fishing equipment

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Fishing and fish processing are one of the main pillars of the Icelandic economy and yearly landings amount to more than a million tons. Aquaculture is also a commercial activity in Iceland.

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There is a market for specialized and advanced U.S. equipment, especially where U.S. producers can use advantages gained from economies of scale to offer competitive prices.

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Producers who want to introduce a product to the Icelandic market should consider finding a local agent or distributor.

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Ministry of Fisheries:

<http://eng.sjavarutvegsraduneyti.is>

The Federation of Icelandic Fishing Vessel Owners

www.liu.is/english/

The Icelandic Aquaculture Association TIAA:

www.lfh.is/english.htm

Federation of Icelandic Fish-processing Plants:

www.sf.is

Energy intensive industries

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Iceland's competitively priced and reliable green energy sources make it an attractive location for energy-intensive industrial activities. The national government and local economic development authorities have been willing to negotiate low-cost contracts for the supply of electricity as an incentive to encourage investment. The most important energy intensive industry in Iceland is aluminum smelting and three smelters currently operate in the country, including two U.S. owned. A data center is under construction.

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The Government of Iceland now views electricity less as a commodity than before and considers the overall benefits of specific projects for the economy. Therefore projects that provide well paying jobs and diversify the economy will be viewed more favorably than others.

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Projects that have been contemplated by U.S. investment interests have included steel pipe fabricating, data centers, and petrochemical processing. The Invest in Iceland Agency offers information on investing in energy intensive industry.

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The Ministry of Economic Affairs:

<http://eng.efnahagsraduneyti.is/>

Ministry of Industry:

<http://eng.idnadarraduneyti.is>

Invest in Iceland Agency:

www.invest.is

Buying of various assets of the commercial banks

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The debts of many Icelandic companies rose considerably with the depreciation of the ISK in 2008, often to the level of being unserviceable. As a consequence the three big Icelandic commercial banks have taken -- and are in the process of taking -- over a number of companies and assets. All have established holding companies to manage these assets. It is not a long term aspiration of the banks to run all these companies and own all these assets and they are willing to sell some of these assets, although not at fire sale prices.

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The assets of the banks include building lots, underdeveloped and fully developed residential and commercial housing; fully operating companies; shares in companies; and stocks and inventories of companies being liquidated.

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There might be opportunities in acquiring underdeveloped housing to finish the developments. Many of the companies owned by the banks are likely to be sold. Even if they won't be sold at fire sale prices, they might still be reasonably good, especially considering the weak ISK. The inventories of bankrupt companies might be worth acquiring, possibly to export from Iceland. Information the selling the assets will often be available on the websites of the banks in English.

There might also be opportunities to purchase the assets of the old banks that were taken over by the Financial Supervisory Authority in October 2008. They include complete and unfinished housing abroad. The domestic assets of the old banks were transferred to the three currently operating Icelandic banks that were set up for that purpose.

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Arion banki

<http://www.arionbanki.is/English>

Íslandsbanki

<http://www.islandsbanki.is/english/>

Landsbanki

<http://www.landsbanki.is/english/>

The Icelandic Financial Supervisory Authority

<http://www.fme.is/?PageID=146>

Iceland protects agricultural products with high tariffs. For example, 30% ad valorem tariffs are imposed on meat, dairy products and eggs, plus specific tariffs per pound that vary with types, but can for some products exceed \$5 per pound. Tariffs on certain varieties of vegetables, e.g. tomatoes, cucumbers and bell peppers are significantly higher during the growing season to protect domestic greenhouse producers. Imported meat must be free of growth hormones and antibiotics. No tariffs are imposed on most other food products, such as fruits, fish and grains. Food and beverages accounted for 8% of Iceland's imports in 2008.

Animal feed can carry tariffs up to 55%, and some ingredients and additives commonly used in U.S. foods are prohibited. In 2007, 10% tariffs were added to 40 kinds of non-EU origin produce, including salads and spinach. All imported meat must be free of growth hormones and antibiotics. Iceland maintains strict phyto-sanitary regulations, since many animal diseases common elsewhere are not present in the country. Iceland is free of hoof-and-mouth disease and BSE.

There are currently no restrictions on import of genetically modified substances, but this will change when Iceland implements EU regulations in this area.

For further information about agricultural issues see MAST Icelandic Food and Veterinary Authority (www.mast.is).

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Import Tariffs

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Iceland uses the Harmonized Commodity Description and Coding System (HS), which indicates the duty that should be applied and whether an import license or permit is required for the commodity in question. Iceland also uses the ISO 9000, a family of standards for quality management systems. ISO 9000 is maintained by ISO, the International Organization for Standardization and is administered by accreditation and certification bodies. Since joining the European Economic Area in 1994, Iceland has adopted European product standards and regulations in most areas. Implementation of these new standards, and the accompanying requirement for use of the CE marking to certify that a product has met EU consumer safety, health or environmental requirements, has created occasional difficulties for importers of some U.S.-manufactured goods. Nonetheless, it is still possible to import U.S.-standard products of many kinds into Iceland, and Icelandic regulators seek to be flexible where possible. However, the Embassy anticipates that these types of regulatory barriers will only increase as Icelandic regulations become more 'European'. Information about the CE mark is available from U.S. Department of Commerce Export Assistance Centers around the U.S. Information is also available at the Icelandic Standards; the national standards body of Iceland (www.stadlar.is).

To sell products on the EU market of 27 Member States as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to

the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may well perceive it as a quality mark.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Quotas for import of agricultural products, exempt from the general tariffs, exist. To comply with GATT and WTO-agreements, the Minister of Agriculture issues quotas for import of various meat and dairy products every year, exempt from general tariffs. There is some flexibility in how the minister can impose tariffs on the products imported under the WTO-quota. In 1995-2008 specific per pound tariffs were issued that were considerably lower than the general tariffs. 2009 marked a change in policy, as the minister issued ad valorem tariffs that were higher than the general quotas. Quotas for importation of 650 tons of meat and 100 tons of cheese from the EU are also issued every year. Because of high demand, the price of quotas determined in auctions of the quota has often exceeded half the general tariffs.

Iceland also maintains tariffs on some categories of consumer goods, including clothing, shoes, and furniture. Most industrial goods are not subject to tariffs since Iceland ratified a trade agreement with the European Community (later named the European Union) leading to the elimination of tariffs on industrial goods. Automobiles are subject to taxes based on engine size and type. There are no special taxes applicable to trade in services. Most goods imported to Iceland are subject to customs duty and also a value-added-tax (VAT). The standard VAT rate is 24.5%, with a reduced rate of 7%, which generally applies to heating costs, printed matter, restaurant bills, hotel stays, and most food.

The newest "Customs Tariffs"-handbook, listing tariffs on all products, is available at the Directorate of Customs' website: www.tollur.is, under "Publications". It is based on the Harmonized Commodity Description and Coding System (HS).

In addition to tariffs, excise duties are imposed on some products.

Tariffs on meat and dairy products can be considered prohibitive. As a consequence, imported meat and dairy products account for a small part of domestic consumption. There are currently no restrictions on import of genetically modified substances, but this will change when Iceland implements EU regulations in this area.

Import Requirements and Documentation

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Icelandic regulations on ingredients, additives and labeling generally follow EU directives. Notable, there are no special regulations on labeling and tracking genetic modified food as the EU regulations or other comparable rules have not yet been implemented. Therefore, no special licenses for import of genetically modified food or special labeling are needed. In EU member states it is mandatory to label the products if they are genetically modified.

Product labels have to be in Icelandic, English or one of the Nordic languages, other than Finnish. However since nutritional labeling standards in the U.S. are different from those in the EU, importers are required to re-label products to meet EU labeling requirements. U.S. labeled products on store shelves require additional EU-consistent labeling by importers, which increases the shelf price of the products. Iceland maintains tariffs on certain categories of food products from the U.S. that are not applied to similar products from the EU. For further information contact the Icelandic Environmental and Food Agency (Food Division): www.ust.is; and MAST Icelandic Food and Veterinary Authority: www.mast.is.

Temporary Entry

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Samples may be imported into Iceland duty-free if they are of little or no commercial value, or have been made unfit for use. Otherwise samples will be subject to duty. Samples carried by a commercial traveler, as well as pattern books or cards, must be declared upon arrival in the country. Goods can be completely exempt from customs duty and/or VAT when they are imported into Iceland temporarily, to be re-exported unmodified. Goods that fall into this category include materials for trade shows and exhibitions, some professional equipment, special tools used for assembling goods to be exported, replacement machinery or equipment during warranty repairs, samples, works of art to be exhibited, some medical, surgical and laboratory and scientific equipment used in hospitals, other medical institutions and for teaching and research purposes. The ATA Carnet, which Iceland honors, is an international customs document that allows the holder to temporarily import goods without payment of normally applicable duties and taxes, including VAT. The Carnet eliminates the need to purchase temporary import bonds. So long as the goods are re-exported within the allotted time frame, no duties or taxes are due. Samples may be imported temporarily by using the ATA carnet, a simplified customs document by which commercial samples or professional equipment may be sent to Iceland. About 65 countries participate in the carnet system. Information on the ATA Carnet can be obtained from U.S. Council for International Business.

Labeling and Marking Requirements

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Electrical equipment sold and used by the public (consumer electronics and household electrical appliances) must carry the CE mark. Electric current in Iceland is 50 cycle, 220-volt AC. Questions can be forwarded to the Icelandic Consumer Agency (www.neytendastofa.is).

Icelandic intellectual property laws are TRIPS-compliant. All applications for trademark/patent/intellectual property protection in the Icelandic market must be registered with the Icelandic Patent Office (www.patent.is). Iceland does not require country of origin marking for imports. However, goods carrying incorrect designations of origin are prohibited, and products made to appear as produced or manufactured in Iceland may not be imported unless the correct foreign origin is clearly and durably marked thereon.

Special marking regulations and labeling requirements exist for pharmaceuticals, chemicals, food products and other product categories. Iceland has health, sanitary and labeling rules and capabilities for monitoring product quality.

A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weights or volume, ingredients in descending order of weight, last recommended date of consumption, and storage instructions if perishable or intended for infants. More information can be obtained with the Environment Agency of Iceland (www.ust.is) and at The Icelandic Food and Veterinary Authority (www.mast.is).

Prohibited and Restricted Imports

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Suppliers of chemical substances and products must provide a composition declaration. The Icelandic importer, in cooperation with the foreign manufacturer, is responsible for labeling the product. Labeling requirements generally follow EU regulations. Questions regarding importing, packaging and labeling of toxic substances or chemicals may be directed to the Environmental and Food Agency of Iceland (www.ust.is).

Regulations on duty free importation by tourists indicate no exemptions from specific importing requirements required to for certain products, regulations or any other instructions by Icelandic authorities. Examples of such products include telephones and other telecommunication equipment, fishing equipment/gear and rider's equipment, firearms, ammunition and other related equipment.

Customs Regulations and Contact Information

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U.S. exporters may request an advance ruling on customs classification from the Icelandic Directorate of Customs. The application should describe the product in complete detail. Samples, catalogues, photographs, or other descriptive literature should be submitted whenever possible. The manufacturer, the exporter, or the representative in Iceland should sign the application. While the customs authorities will not in all cases give a binding decision, the preliminary ruling will usually be considered binding if the goods are found to correspond to the sample or description. Importers can access the Icelandic Customs Tariff Manual in English on the Customs website (www.tollur.is).

Standards

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Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements.

European Union European Union standards created under the New Approach are harmonized across the 27 EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of new approach legislation, go to http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm.

While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations and technical standards might also function as barriers to trade if U.S. standards are different from those of the European Union.

Standards Organizations

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Icelandic Standards (IST) is the national standards body of Iceland. It is an independent association whose role, by law, is the publication of Icelandic standards and the representation of Iceland in international and regional standards bodies. Four sector committees operate under the auspices of Icelandic Standards: BSTR, in the building sector, FIF in the fishing sector, FUT in the information technology sector, and RST in the electro-technical sector. IST is a member of the European standards organizations CEN, CENELEC and ETSI and of the international standards organizations ISO and IEC. Their address is:

Icelandic Standards
Skúlatun 21
IS-105 Reykjavík,
Tel: +354 520-7150
Web site: www.stadlar.is

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Electrical equipment sold and used by the public (consumer electronics and household electrical appliances) must carry the CE mark to certify that the products have met EU consumer safety, health or environmental requirements. Electric current in Iceland is 50 cycle, 220-volt AC. Questions can be forwarded to the Icelandic Consumer Agency (www.neytendastofa.is).

Icelandic intellectual property laws are TRIPS-compliant. All applications for trademark/patent/intellectual property protection in the Icelandic market must be registered with the Icelandic Patent Office (www.patent.is). Iceland does not require country of origin marking for imports. However, goods carrying incorrect designations of origin are prohibited, and products made to appear as produced or manufactured in Iceland may not be imported unless the correct foreign origin is clearly and durably marked thereon.

Special marking regulations and labeling requirements exist for pharmaceuticals, chemicals, food products and other product categories. Iceland has health, sanitary and labeling rules and capabilities for monitoring product quality. A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weights or volume, ingredients in descending order of weight, last recommended date of consumption, and storage instructions if perishable or intended for infants. More information can be obtained with the Environment Agency of Iceland (www.ust.is) and at The Icelandic Food and Veterinary Authority (www.mast.is).

Product Certification

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To sell products on the EU market as well as Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU/EEA district. A manufacturer can

choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the EU member states, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by EU member states inspectors, the consumer may well perceive it as a quality mark.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Icelandic Standards (IST) is accredited for certification in the fields of environment (ISO14000 series), quality (ISP9000 series), Information technology, Security technology and Information safety (ISO/IEC 17799 -ISO 27002 and ISO/IEC 27001 series) and products (CE marking).

Accreditation

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Löggildingarstofan is the national accreditation organization under the auspices of Icelandic Ministry of Industry. Löggildingarstofa provides companies and institutions with expert accreditation and metrological services and is to ensure compliance with requirements for the safety and interests of Icelandic consumers. The Accreditation Division performs accreditation of inspection, testing and certification bodies to the EN 45000 series of standards, which entails international recognition of their activities. It also handles communications and training concerning accreditation issues and B-accreditation of workshops for re-inspection of motor vehicles, testing and installation of tachographs. Accreditation involves the formal recognition of competence to perform specific tasks, e.g. motor vehicle inspections, testing of the bacteriological content of water or certification of quality systems.

Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under the Agreement on Mutual Recognition between the U.S. and the EEA and EFTA states, notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EEA and EFTA specifications, and vice versa.

The National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating

under a mutual recognition agreement
(http://ts.nist.gov/Standards/Global/upload/US-EEA_EFTA_States_MRA_Oct_17_051.pdf)

Notified bodies in Iceland can be found at
<http://ec.europa.eu/enterprise/newapproach/nando>.

Accreditation is handled at Member State level. "European Accreditation" (http://www.european-accreditation.org/default_flash.htm) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

ISAC - Iceland Accreditation
ISAC, Einkaleyfastofan
Engjateigur 3
IS-150, Reykjavík
Tel: +354 580 9400
Web site: <http://www.isac.is>

Publication of Technical Regulations

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When it comes to technical regulations and standards, Iceland is a member of EEA and bound by the same regulations as EU countries. For further information see:

The Icelandic Council for standardization
Laugavegi 178,
IS-105 Reykjavík,
Tel: +354 520 7150
Web site: www.stadlar.is

The National Gazette in Iceland is called Stjórnartíðindi (www.stjornartidindi.is) and is Iceland's official gazette. It contains three parts: Part A - Statutes, ordinances and regulations; Part B - Subordinate legislation; and Part C - International agreements. It provides free access to the full text of all three sections of Stjórnartíðindi in Icelandic that have been finalized.

Labeling and Marking

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Icelandic regulations for labeling generally follow EU directives. Notably, there are no special regulations on labeling and tracking genetic modified food as the EU regulations or other comparable rules have not yet been implemented. Therefore, no special licenses for import of genetically modified food or special labeling are needed. In EU member states it is mandatory to label the products if they are genetically modified. See more information in Labeling and Marking Requirements in chapter 5. Special marking regulations and labeling requirements exist for some product categories. For pharmaceuticals, chemicals and food products more information on labeling can be obtained from the

following sources: Ministry of Health at (www.heilbrigdisraduneyti.is); Medicines Control Agency (www.lyfjastofnun.is); The Environment Agency of Iceland (www.ust.is).

Contacts

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US Embassy Reykjavík

Laufásvegi 21
IS-101, Reykjavík
Tel: +354 562-9100
Web site: <http://iceland.usembassy.gov/>

IST -- Icelandic Standards

Skúlatún 2
IS-105 Reykjavík
Tel: +354 520-7150
Web site: <http://stadlar.is/english/>
E-mail: stadlar@stadlar.is

Löggildingarstofa

Borgartúni 21
IS-105 Reykjavík
Tel: +354 510-1100
Web site: <http://www.randburg.com/is/loggildingarstofa/>

Iceland Accreditation

ISAC -- Einkaleyfastofan,
Engjateigi 3,
IS-150 Reykjavík
Tel: +354 580-9400
Web site: www.isac.is

Ministry of Health

Vegmúla 3,
IS-150 Reykjavík
Tel: +354 545-8700
Web site: <http://eng.heilbrigdisraduneyti.is/>

Icelandic Medicines Control Agency

Eiðistorgi 13-15
IS-170, Seltjarnarnesi
Tel: +354 520-2100
Web site: <http://www.imca.is/>

The Environment Agency of Iceland

Suðurlandsbraut 24
IS-108, Reykjavík
Tel: +354 591-2000
Web site: <http://english.ust.is/>

Iceland is a member of the Agreement on the European Economic Area (EEA) that unites members of the European Union (EU) and the three EFTA EEA states (Iceland, Liechtenstein and Norway) into one single market governed by the EU basic rules. Iceland is also bound by Free Trade Agreements with the following countries through its membership in the European Free Trade Association (EFTA): Canada, Chile, Croatia, Egypt, Israel, Jordan, Korea, Lebanon, Macedonia, Mexico, Morocco, Palestinian Authority, the South African Customs Union, Singapore, Tunisia and Turkey.

Iceland does not have a bilateral investment treaty or an FTA with the U.S. There is a U.S.-Iceland bilateral taxation treaty and a Trade and Investment Framework Agreement (TIFA) with the United States, which was signed in January 2009.

Web Resources[Return to top](#)

The Ministry of health
<http://eng.heilbrigdisraduneyti.is/>

The Icelandic Environmental and Food Agency (Food Division):
www.ust.is

The Icelandic Food and Veterinary Authority
www.mast.is

U.S. Council for International Business:
www.atacarnet.com

The Icelandic Consumer Agency:
<http://www.neytendastofa.is/English>

The Icelandic Patent Office:
www.einkaleyfastofan.is

Directorate of Customs:
www.tollur.is

Icelandic Standards:
www.stadlar.is

Löggildingarstofa:
www.randburg.com/is/loggildingarstofa/

The National Gazette:
www.stjornartidindi.is

Medicines Control Agency:
www.lyfjastofnun.is

The Environment Agency of Iceland:

www.ust.is

The National Institute of Standards and Technology:

http://ts.nist.gov/Standards/Global/upload/US-EEA_EFTA_States_MRA_Oct_17_051.pdf

NANDO (New Approach Notified and Designated Organisations):

<http://ec.europa.eu/enterprise/newapproach/nando/>

All contact information for Icelandic Government institutions, other institutions and associations mentioned in this chapter can be found in chapter 9.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Icelandic government encourages foreign investment in most sectors. The majority of investment occurs in energy-intensive industries, such as aluminum smelting, that take advantage of the country's abundant renewable energy resources. As part of its investment promotion strategy, the government operates the "Invest in Iceland Agency," which facilitates foreign investment and provides information to potential investors.

As Iceland attempts to rebound from the 2008 economic crisis, the government is reevaluating the role of foreign direct investment (FDI). There is considerable interest in further diversification from the fishing and aluminum industries. Electricity is viewed less as a commodity than previously, as politicians now consider the effects that specific energy intensive projects would have on the economy as a whole, such as in terms of job creation and environmental impact. There is also debate regarding the appropriate types and level of FDI in Iceland. The government has stated its desire to attract FDI in order to create jobs and rebuild the economy, and is in the process of drafting policies to facilitate such investment.

Icelandic laws regulating and protecting foreign investments are consistent with OECD and European Union (EU) standards. As Iceland is a member of the European Economic Area (EEA), most EU commercial legislation and directives are in effect in Iceland. The major law governing foreign investment is the 1996 Act on Investment by Non-residents in Business Enterprises, which grants national treatment to non-residents

of the EEA (including U.S. citizens). The law dictates that foreign ownership of businesses is generally unrestricted, but with limitations in fishing, energy and aviation sectors. Only entities that are at least 75 percent owned by Icelanders can hold fishing rights. Non-EEA residents cannot hold hydro- and geothermal power exploitation rights; cannot manufacture or distribute energy; and cannot own more than 49 percent of aviation companies. However, such restrictions can, in some cases, be avoided by establishing a holding company somewhere in the EEA. Icelandic law also restricts the ability of non EEA-citizens to own land, but this may be waived by the Ministry of Justice and Human Rights Affairs. The managers and the majority of the board of directors in an Icelandic enterprise must be domiciled in Iceland or another EEA member state, though exemptions from this provision can be granted.

Icelandic courts uphold the sanctity of contracts as a matter of course. Depending on the level of the turnover of the companies in question, the Icelandic Competition Authority shall be notified of mergers and acquisitions. The Authority may annul mergers or set conditions with the objective of preventing harmful oligopolies and the restriction of competition.

There is no automatic screening of foreign investors, although bidders in privatization sales may have to go through a pre-qualification process. Potential U.S. bidders in privatization auctions need to follow the process closely, since the procedures are often ad hoc and deadlines can be short.

The U.S. does not have a bilateral investment treaty (BIT) with Iceland. A Trade and Investment Framework Agreement (TIFA) was signed on January 15, 2009.

The Icelandic economy has yet to recover from the 2008 economic crisis, when bank liabilities amounted to about 10 times the country's GDP. The government is in the process of restructuring the banking system and the former creditors of the banks assumed part ownership in the new banks in late 2009. After the banking sector collapse, inflation soared and peaked at over 18 percent, but by November 2009 annual inflation had decreased to 8.6 percent and is expected to decrease further. The Icelandic Krona (ISK), which depreciated 100 percent against the dollar during the economic crisis, has been relatively stable in 2009. Capital controls remain in effect for all but new investments, though it is anticipated that the Central Bank will continue to gradually lift the restrictions.

	Year	Rank	Score
TI Corruption Index	2009	8-10	8.7
Heritage Economic Freedom	2009	14	75.9
World Bank Doing Business	2010	14	N/A

Conversion and Transfer Policies

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Although the Act on Investment by Non-residents in Business Enterprises allows for non-residents to convert into any currency any dividends received or other profits and proceeds from sales of investments, temporary capital controls are now in place to strengthen and stabilize the exchange rate of the ISK. Due to a great inflow of foreign

capital to Iceland in the years preceding the economic crisis, a great deal of ISK-denominated assets, such as government bonds, were held by non-residents at the time of the banking collapse. To prevent the massive capital outflow that would have been caused by the sale of these assets, the Central Bank of Iceland imposed capital controls in October 2008. Transactions involving imports and exports of goods and services, travel, interest payments, contractual installment payments and salaries are still permitted. The Central Bank published its Capital Controls Liberalization Strategy in August 2009, stating that the controls will be lifted in stages. The first step, permitting the inflow of foreign currency for new investments and the outflow of capital derived from such investments, was implemented in November 2009. For the outflow of this foreign currency to be allowed, the new investments must be registered with the Central Bank.

Expropriation and Compensation

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Cases of expropriation are fairly rare and in most cases involve real estate and land being expropriated because of water and power facilitation, road construction, city planning or things of a similar nature. As far as the U.S. Embassy is aware, the Icelandic government has never expropriated a foreign investment.

Some actions of the Icelandic government before and during the financial crisis in October 2008, such as the takeover of the three major banks with significant foreign investment interests when they were running out of liquidity, have been described by private investors as an expropriation of sorts. Agreements were reached with the creditors of the banks on compensation for assets from the old banks that was transferred to the new banks which were established after the crash.

The Constitution of Iceland proclaims that no one may be obliged to surrender his property unless required by public interests and that such a measure shall be provided for by law and full compensation be paid. A special committee is appointed every five years to review and proclaim the legality of expropriation cases. If the committee proclaims a case to be legal it will negotiate an amount of compensation with the appropriate parties. If an amount cannot be agreed upon, the committee determines a fair value after hearing the case of all parties.

Dispute Settlement

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Iceland has ratified the major international conventions governing arbitration and the settlement of investment disputes. Iceland accepts binding arbitration of investment disputes.

After the Government took over control of the three largest Icelandic commercial banks in October 2008, it separated the bank's domestic and foreign operations, established new banks to take over the domestic operations, and passed a bill that prioritized claims of depositors. Agreements were reached with the bank creditors by December 2009 regarding compensation for assets from the old banks that were transferred to the new banks. U.S. investors were among the bank creditors.

There are no other recent cases of major investment disputes involving foreign investors in Iceland and the Icelandic system has been considered well-equipped to handle any trade and investment dispute.

The Icelandic civil law system enforces property rights, contractual rights and the means to protect these rights. The Icelandic court system is independent from the parliament and government. Foreign parties must abide by the same rules as Icelandic parties, and they enjoy the same privileges in court; there is no discrimination against foreign parties in the Icelandic court system. When trade or investment disputes are settled, the settlement is usually remitted in the local currency.

Under the Constitution, sentences may be passed by the courts only. The courts are divided into two classes: The lower courts, where most cases are heard, and the Supreme Court, which hears appeals from the lower courts. There are eight lower courts and one Supreme Court, all hearing public and private cases. Iceland has been a member of the International Center for Settlement of Investment Disputes (ICSID) since 1966.

Performance Requirements and Incentives

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Broadly speaking, Iceland currently does not offer direct subsidies for business investment. Its primary incentives are in providing for a favorable environment for businesses, including relatively low corporate tax rates and low energy prices. However, due to the State's fiscal gap following the financial crash the government has raised taxes to generate revenue. This includes increasing the corporate tax from 15 to 18 percent and introducing a new energy tax of ISK 0.12 (\$0.009) per kWh. Past investment agreements have been made on a case-by-case basis and have included, among other incentives, some tax exemptions. A bill has been drafted that will soon be sent to the parliament that would create of standardized investment agreements and incentive packages to encourage FDI. As Iceland is a member of the EEA, it will be in accordance with EU law which allow for certain support -- such as tax incentives and partial funding of training, research and development -- depending on the size of the investment and the company in question. Local communities may offer certain additional incentives.

As a member of the EEA, Iceland has access to various EU funding programs, including the Seventh Framework Program. Icelandic entities, including companies established in Iceland, can obtain funding from the Program for joint R&D ventures with entities from other EEA countries.

Film and TV production in Iceland are subsidized by the Icelandic state in the form of a rebate of a portion of production costs. A branch or a representative office must be established in Iceland for these purposes. There are no requirements as to the production budget, but the film should promote Icelandic culture as well as introduce Iceland's history and natural beauty. The film and TV production cost rebate rate is currently 20 percent for costs incurred over the 2007-2011 period. The program does not provide a rebate for the production of commercials or music videos. More information is available at www.filminiceland.com.

Right to Private Ownership and Establishment

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Foreign entities are free to establish and own any type of business enterprise and engage in all forms of legal remunerative activity other than in fishing, energy, and aviation. Companies established in the EEA, however, are not subject to these limitations in the energy and aviation industries. If a foreign citizen from outside the EEA wishes to purchase land or real estate in Iceland, a permit is required from the Ministry of Justice. Icelandic law treats public and private enterprises equally when it comes to market access and other business operations. Foreign investors are permitted to participate in the privatization of government-owned businesses, subject to restrictions imposed by the government.

A foreign party must obtain an identity number (kennitala) before establishing a bank account.

Protection of Property Rights

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Iceland adheres to key international agreements on property rights (e.g., Paris Union Convention for the Protection of Industrial Property). Trademarks, copyrights, trade secrets and industrial designs are all protected under Icelandic law. As with many other issues, Iceland is following the European lead in protection of property rights and adheres to the European Patent Convention of 1973. In 2005, Iceland signed the Patent Cooperation Treaty (PCT).

Iceland is a member of the EEA and therefore accepts jurisdiction of the EEA Court. Property rights are recognized and protected in the Constitution of Iceland. Secured interests in property are bound by law and enforced as such and there is a very reliable system which records such security interests.

The Icelandic Patent Office -- a governmental agency under supervision of the Ministry of Industry and Commerce -- handles all patent disputes in Iceland. The legal framework concerning intellectual property rights (IPR) in Iceland is in all respects equivalent to that of other industrialized countries in Europe. Iceland is a World Trade Organization (WTO) member, and Icelandic legislation complies with WTO TRIPS requirements.

As an EFTA state and member of the EEA, Iceland has implemented all relevant EU regulations and directives in the field of IPR. Furthermore, Iceland is bound by bilateral EFTA free-trade agreements which include provisions on IPR.

Iceland is a member of the European Patent Organization. Iceland is a member of WIPO and a party to most WIPO-administered agreements.

Transparency of Regulatory System

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Icelandic laws regulating business practices are consistent with those of most OECD member states, and are increasingly based on European Union directives as a result of Iceland's EEA membership. Much of Iceland's financial regulatory system was put in place only in the 1990s, thus transparency is occasionally a concern (i.e. in public procurement, and in privatization sales where the process is established by the government on an ad hoc basis). In response to the financial crisis of 2008, the government is working to increase its regulatory role in the financial sector.

The Competition Authority is responsible for the enforcement of anti-monopoly regulations and the promotion of effective competition in business activities. This includes eliminating unreasonable barriers and restrictions on freedom in business operations, preventing harmful oligopoly and restriction of competition and facilitating the access of new competitors to the market.

The Consumer Agency holds primary responsibility for market surveillance of business operators, transparency of the markets with respect to safety and consumers' legal rights, and enforcement of legislation concerning protection of consumers' health, legal and economical rights.

The system as a whole is transparent, though bureaucratic delays can occur. All proposed laws and regulations are published in draft forms for the public record and are open for comment.

The Icelandic parliament (Althingi) consists of a single chamber of 63 members and a simple majority is required for ordinary bills to become law. All bills that are introduced in the parliament are in draft form. Drafts are open to the public and are published on the parliament's web page. Interested parties can comment on proposed law and regulations.

Efficient Capital Markets and Portfolio Investment

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All companies have access to regular commercial banking services in Iceland, even if it is likely that financing for large-scale investment projects will largely need to come from abroad. The ISK was relatively stable in 2009 with the implementation of capital controls. There is ample demand for foreign currency, but selling large amounts of ISK in a single transaction might be difficult. The Central Bank has often involved itself in the market since the collapse, buying ISK, and those who have been allowed to sell ISK under the capital controls have been able to do so.

Prior to the collapse of the banking sector in October 2008, the assets of Icelandic banks, now considered to have been overvalued, were estimated at about ten times Iceland's GDP. At that time, the government took over the three largest commercial banks and subsequently transferred domestic assets to new banks, which were established for that purpose. Agreements were reached with the receivership committees of the old banks on behalf of the creditors by December 2009 to provide compensation for those assets. The creditors of the bankrupt banks became part owners in the new banks, with creditors of two banks obtaining a majority stake in Íslandsbanki (formerly Glitnir) and Arion (formerly Kaupthing). The combined assets of

these new banks amount to roughly 1.5 times Iceland's GDP in 2008. There are also a number of other smaller financial institutions active in Iceland, notably MP bank, which acquired a commercial banking license in 2008 and has assets valued at 53 billion ISK (\$424 million).

The OMX Nordic Exchange operates the market for securities in Iceland and trades various products. Activity has been limited since the crash, but the infrastructure remains in place. The Central Bank frequently issues and auctions ISK-denominated government bonds and welcomes foreign participation.

Competition from State Owned Enterprises

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Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions in all sectors except energy manufacturing and distribution. SOEs are most active in the banking, energy, health and alcohol sectors. In some cases, politicians are on the boards of SOEs.

In the midst of the banking crisis, the state, through the Financial Supervisory Authority (FME), took over Iceland's three largest commercial banks in October 2008 and has subsequently taken over several savings banks to allow for uninterrupted banking services in the country. As of December 2009, creditors of two of the three largest banks acquired a majority of shares in the newly established commercial banks. The state has a considerable stake in many companies through its shares in the banks; however, it is the policy of the government not to interfere with internal or day-to-day decisions of these companies.

In 2009, the state established the Bank Shares Management Company to manage the state-owned shares in financial companies. The Minister of Finance appoints the three board members, who appoint a committee that determines who will represent the state on the boards of financial companies.

While most energy producers are either owned by the state or municipalities, there is free competition in the energy market. In 2008 one of the major energy companies was split into two companies: One that produces energy and another that distributes it. Subsequently, a foreign company bought more than 40 percent of the energy producing company through its EEA subsidiary.

The universal healthcare system is mainly state operated, though the Embassy is aware of plans to build private health tourism facilities in Iceland. Few legal restrictions exist; however, private clinics need an agreement with the Icelandic state, a foreign state or an insurance company regarding payment for services.

The State Alcohol and Tobacco Company of Iceland (ÁTVR), has exclusive rights for the retail sale of all alcoholic beverages. Importers and wholesale companies are privately run.

Corporate Social Responsibility

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In general, there is an awareness of corporate social responsibility among both producers and consumers.

Political Violence

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Iceland experienced political protests stemming from the October 2008 financial crisis. Public protests spurred the government to dissolve and a new coalition to form prior to early elections in spring 2009. Although the occasional protests still take place, they are much less intense than in late 2008 and early 2009. There have been limited cases of politically motivated vandalism of foreign holdings in recent years, directed primarily at the aluminum industry. For the most part, political protests that have occurred were conducted peacefully within the normal bounds of the law.

Corruption

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Isolated cases of corruption occur but are not an obstacle to foreign investment. In 2009 Iceland tied for 8-10 place out of 180 countries in Transparency International's Corruption Perceptions Index Ranking. It was ranked as high as number one in 2006.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking bribe a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed

information on the FCPA, see the FCPA Lay-Person's Guide at:

<http://www.justice.gov/criminal/fraud/docs/dojdocb.html>.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice

Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, remains a minor challenge for U.S. firms operating in Iceland

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The U.S. has neither a bilateral investment treaty (BIT) nor a Free Trade Agreement with Iceland. There is no Social Security Totalization Agreement in place between the U.S. and Iceland, meaning that some dual citizens must pay into both social security programs. There is a U.S.-Iceland bilateral taxation treaty and a Trade and Investment Cooperation Forum Agreement (TIFA).

OPIC and Other Investment Insurance Programs

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Political risk insurance and project financing have traditionally been available on the local and international markets. As a result of the financial crisis in fall 2008 and the current restructuring of the banking sector, project financing may be temporarily limited. Iceland is a member of the Multilateral Investment Guarantee Agency.

Labor

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The labor force in Iceland consists of just over 180,000 people aged 16 and older and is highly skilled. Until the economic crisis in October 2008, demand for labor exceeded supply. Foreign labor moved to Iceland to fill the majority of unskilled service jobs and

semi-skilled construction jobs, as the EEA-agreement allows for the free movement of labor within the area. Layoffs followed in the wake of the economic crisis, particularly in the financial and construction sectors. Unemployment rose quickly and peaked at 9.1 percent in April 2009. As of January 2010, unemployment was 9.0 percent.

The labor market is highly unionized with 80-85 percent of employees belonging to unions. Icelandic labor unions are decentralized and non-political. Contractual wage agreements cover general terms of employment, including a basic minimum wage, but specific terms are usually negotiated on a more job-specific basis. Collective bargaining power, in both the public and the private sectors, rests with individual labor unions. The government has imposed mandatory mediation when strikes have threatened key sectors in the economy such as the fishing industry.

The basic legal work week is 40 hours over 5 days, but some professions have 37.5 – 39.5 hours per week, mainly office clerks and sales assistants. Most employees are paid for overtime, or alternatively allowed time off in lieu of paid compensation. Typical shift-work rates are an extra 33% on top of the daytime rate, and an extra 45% for weekend or public holiday work. A continuous rest period of 11 hours is typically guaranteed during each 24-hour period. In certain circumstances the rest period may be shortened to 8 hours.

Iceland has ratified approximately 20 ILO conventions, including those that protect basic workers' rights.

Foreign Direct Investment Statistics

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The following tables reflect data available as of December 2009. Information in this chapter was obtained from the Central Bank of Iceland. The Central Bank of Iceland does not provide information on specific investments, but the majority of U.S. investment in Iceland is in the aluminum sector. A large part of the FDI stocks from Belgium/Luxembourg and the Netherlands may be held by Icelanders residing there.

Total FDI stocks in Iceland in 2008 amounted to 75.2 percent of Iceland's GDP. The total 2008 FDI flows to Iceland amount to 1.6 of GDP, but FDI flows in 2008 amounted to less than one-tenth of FDI flows in 2007.

USD/ISK end of year mid-exchange rate:

Year	2005	2006	2007	2008
Rate	62.86	63.13	62.00	120.87

FDI stocks in Iceland by country (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	4,698	8,703	16,360	9,196
US	465	600	885	880
Belgium/Lux	1,124	2,807	8,827	7,159
Netherlands	1,863	3,509	5,205	441

Norway	95	127	189	201
Switzerland	148	177	156	191
Sweden	62	76	94	174
Denmark	85	110	180	135
UK	120	222	424	-6

FDI stocks in Iceland by industry (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	4,698	8,703	16,360	9,196
Holding Companies	373	24	5,689	5,281
Metal and mech. production	1,203	2,392	3,157	2,697
Financial activities	1,870	4,071	6,064	586
Trade and Repairs	50	247	247	185
Telecommunication	233	209	235	172
Food Production	71	224	235	88
Transport and storage	221	444	500	-30

FDI flows to Iceland by country (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	3,077	4,479	7,079	191
US	79	-91	318	26
Belgium/Lux	378	1,864	4,961	-210
Netherlands	2,323	2,040	3,457	-132
Norway	-1	6	-6	47
Switzerland	6	15	8	33
Sweden	9	4	3	377
Denmark	12	11	49	-19
UK	191	222	104	-141

FDI flows to Iceland by industry (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	3,077	4,479	7,079	191
Holding Companies	64	155	4,613	432
Metal and mech. production	648	1,002	496	86
Financial activities	2,337	2,839	3,018	89
Trade and Repairs	1	216	7	-36
Telecommunication	28	-25	22	-15
Food Production	17	263	158	-77
Transport and storage	20	52	487	-265

Icelandic FDI stocks abroad by country (in millions of ISK):

Year	2005	2006	2007	2008
Total FDI	635,955	987,450	1,526,379	1,063,299
US	96,057	84,538	189,425	190,602
Netherlands	152,947	201,466	496,550	290,514
UK	167,140	229,743	251,793	267,553
Denmark	80,647	158,504	184,425	260,190
Sweden	14,737	31,197	98,310	61,717
Norway	29,123	67,652	111,532	59,311
Canada	4,187	2,468	28,797	42,499
Belgium/Lux	39,521	110,524	-130,223	-311,281

Icelandic FDI stocks abroad by country (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	10,117	15,642	24,619	8,797
US	1,528	1,339	3,055	1,577
Netherlands	2,433	3,191	8,009	2,404
UK	2,659	3,639	4,061	2,214
Denmark	1,283	2,511	2,975	2,153
Sweden	234	494	1,586	511
Norway	463	1,072	1,799	491
Canada	67	39	464	352
Belgium/Lux	629	1,751	-2,100	-2,575

Icelandic FDI stocks abroad by industry (in millions of ISK):

Year	2005	2006	2007	2008
Total FDI	635,955	987,450	1,526,379	1,063,299
Financial activities	144,736	243,983	593,988	359,202
Petro, rubber and chemical	102,273	153,884	249,609	330,213
Trade and Repair	62,581	83,418	103,635	173,721
Food production	46,941	67,265	71,878	88,995
Transportation and storage	11,409	18,256	56,908	74,122
Prosthetic aids	3,559	3,871	22,629	41,077
Real estate companies	-	5,417	34,785	15,901
Scientific activities	34,867	41,080	89,164	15,632
Holding companies	221,951	356,214	287,345	-92,719

Icelandic FDI stocks abroad by industry (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	10,117	15,642	24,619	8,797
Financial activities	2,303	3,865	9,580	2,972
Petro, rubber and chemical	1,627	2,438	4,026	2,732
Trade and Repair	996	1,321	1,672	1,437
Food production	747	1,065	1,159	736

Transportation and storage	182	289	918	613
Prosthetic aids	57	61	365	340
Real estate companies	-	86	561	132
Scientific activities	555	651	1,438	129
Holding companies	3,531	5,643	4,635	-767

Icelandic FDI flows to abroad by country (in millions of ISK):

Year	2005	2006	2007	2008
Total FDI	445,433	372,935	663,934	-716,513
US	85,319	26,624	112,643	-88,994
Netherlands	131,022	47,619	70,056	-251,383
UK	118,834	30,910	62,732	-24,186
Denmark	19,137	59,632	56,597	-39,513
Sweden	8,086	18,057	55,398	-89,962
Norway	36,930	41,517	61,290	-26,897
Canada	87	-990	95,371	-16,399
Belgium/Lux	22,106	77,226	-170,629	27,878

Icelandic FDI flows to abroad by country (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	7,086	5,907	10,709	-5,928
US	1,357	422	1,817	-736
Netherlands	2,084	754	1,130	-2,080
UK	1,891	490	1,012	-200
Denmark	304	945	913	-327
Sweden	129	286	894	-744
Norway	588	658	989	-223
Canada	1	-16	1,538	-136
Belgium/Lux	352	1,223	-2,752	231

Icelandic FDI flows to abroad by industry (in millions of ISK):

Year	2005	2006	2007	2008
Total FDI	445,433	372,935	663,934	-716,513
Financial activities	94,196	89,916	488,801	-293,387
Petro, rubber and chemical	96,020	84,801	36,961	29,452
Trade and Repair	22,454	32,161	3,609	2,317
Food production	10,390	21,085	7,267	-35,990
Transportation and storage	5,257	5,597	123,436	-38,370
Prosthetic aids	333	-148	112	-3,574
Real estate companies	-	6,765	41,243	-38,410
Scientific activities	41,484	2,740	79,111	-972
Holding companies	172,692	125,920	-121,763	-295,150

Icelandic FDI flows to abroad by industry (in millions of USD):

Year	2005	2006	2007	2008
Total FDI	7,086	5,907	10,709	-5,928
Financial activities	1,499	1,424	7,884	-2,427
Petro, rubber and chemical	1,528	1,343	596	244
Trade and Repair	357	509	58	19
Food production	165	334	117	-298
Transportation and storage	84	89	1,991	-317
Prosthetic aids	5	-2	2	-30
Real estate companies	-	107	665	-318
Scientific activities	660	43	1,276	-8
Holding companies	2,747	1,995	-1,964	-2,442

Web Resources

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Film in Iceland:

www.filminiceland.com

The Icelandic Patent Office:

www.patent.is

The Consumer Agency:

<http://www.neytendastofa.is/English>

NASDAQ OMX Nordic:

www.nasdaqomxnordic.com

The State Alcohol and Tobacco Company of Iceland:

www.vinbudin.is

The Central Bank of Iceland:

www.sedlabanki.is

Statistics Iceland

www.statice.is

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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- [U.S. Banks and Local Correspondent Banks](#)
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How Do I Get Paid (Methods of Payment)

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Payment from Iceland to a foreign entity can be made without formality or delay through commercial and savings banks, though payments are in some cases channeled through the Central Bank. Most of the troubles with cross-border payments following the October 2008 banking collapse have by now been resolved, although capital controls remain largely in effect. The three biggest Icelandic commercial banks and JP Morgan have a common understanding and large shares of transfer from Iceland to the U.S. go through JP Morgan.

There are a number of debt collection agencies in Iceland. The Economic and Commercial section of the U.S. Embassy in Reykjavík (ReykjavikEconomic@state.gov) can provide a list of such agencies upon request.

All normal methods of payment are used, but the most common and preferred method of payment is on open account terms, where the buyer pays for products after receiving them. After the financial crash, it has been harder for Icelandic retailers to get international insurance companies to guarantee payments, but many wholesalers who have had a successful long term business relationship with their vendors maintain an open account.

Creditinfo Island (<http://www.fmv.is/?pageid=200>) provides credit reports on Icelandic companies, lists of defaulting debtors, and related information.

Three agencies assign the Republic of Iceland's sovereign credit rating: Moody's Investors Service, Fitch Ratings, and Standard & Poor's. The Central Bank of Iceland communicates regularly with these agencies on behalf of the authorities.

Fitch Ratings:

<http://www.fitchratings.com>

Moody's Investors Service:

<http://www.moody's.com>

Standard & Poor's:

<http://www.standardandpoors.com>

How Does the Banking System Operate

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The Icelandic State took control of the three largest Icelandic banks following the financial collapse in October 2008. Most of the domestic assets of these banks were moved to new entities established for this purpose. A deal was negotiated with the creditors of two of the old banks whereby they acquired majority ownership in the new banks as compensation for transferred assets; creditors of the third bank acquired a minority stake in its new bank. As of publication, the receivership committees of the old banks, on behalf of its creditors, control their stakes in the new banks while the recently established State Bank Shares Management Company controls the state's shares. The banks are run as profit-seeking companies and it is the policy of the government to ensure fair competition.

A number of smaller banks and financial institutions are also active on the market.

Foreign-Exchange Controls

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Following the financial crisis in October 2008 the Central Bank of Iceland issued Rules on Foreign Exchange, restricting cross-border movement of foreign-denominated capital. Some transactions are exempt from the Rules, notably the movement of capital due to trade and services. The Rules were intended as temporary measures to prevent massive capital outflow. In August 2009, the Central Bank published its Capital Controls Liberalization Strategy and announced that the controls will be lifted in stages. The first step, permitting the inflow of foreign currency for new investments and the outflow of capital derived from such investments, was implemented in November 2009. For such outflow to be permitted, new investment must be registered with the Central Bank. The Rules on Foreign Exchange, the Capital Controls Liberalization Strategy and related documents can be found at: <http://sedlabanki.is/?PageID=1019>.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks in Iceland. The major U.S. banks have correspondent relationships with Icelandic financial institutions.

Project Financing

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The Icelandic domestic banking system is limited in size. Therefore capital, at least for larger projects, usually comes from abroad. As a result of the 2008 financial crisis, obtaining financing may be harder than before.

There are a number of U.S. agencies that might finance certain projects in Iceland, or guarantee payments in trade with goods and services, such as the Export-Import Bank

that supports the financing the exporting of U.S. goods and services. See web resources below.

The European Investment Bank (EIB) finances private investments promoted by creditworthy counterparts established in EEA-countries. The European Investment Fund (EIF), established in 1994, is an agency headquartered in Brussels that provides financing for SMEs (small and medium-sized enterprises). It does not lend money to SMEs directly; rather, it provides financing through private banks. Its main operations are in the areas of venture capital and guaranteeing loans. The EIF also provides guarantees to financial institutions (such as banks) to cover their loans to SMEs. The Fund is active in the member states of the European Union, in Croatia, Turkey and three EFTA countries (Iceland, Liechtenstein and Norway).

The Nordic Investment Bank (NIB) is an investment bank and multilateral development bank owned by eight Nordic and northern European countries. The owners are Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The bank is headquartered in Helsinki, Finland and has offices in Copenhagen, Oslo, Reykjavík and Stockholm, and a representative office in Singapore. The bank has operated since 1976. The purpose of the bank is to extend credit and finance for investment projects both within and outside the member countries.

The Icelandic government traditionally finances public sector projects, although the European Investment Bank and Nordic Investment banks have played a role in the financing in various public projects. In the beginning of 2010, one of the credit rating companies lowered Iceland's sovereign credit rating to junk due to problems with resolving the Icesave dispute with the UK and the Netherlands. This could create difficulties for the mostly publicly owned energy companies to finance new projects and increase their production capacity.

Web Resources

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Export-Import Bank of the United States:

<http://www.exim.gov>

Country Limitation Schedule:

http://www.exim.gov/tools/country/country_limits.html

OPIC:

<http://www.opic.gov>

Trade and Development Agency:

<http://www.tda.gov/>

SBA's Office of International Trade:

<http://www.sba.gov/oit/>

USDA Commodity Credit Corporation:

<http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development:
<http://www.usaid.gov>

The European Investment Bank:
<http://www.eib.org/>

The European Investment Fund:
<http://www.eif.org>

Nordic Investment Bank:
<http://www.nib.int>

Central Bank of Iceland:
<http://www.sedlabanki.is>

The Financial Supervisory Authority (FME):
<http://www.fme.is>

Creditinfo Iceland:
<http://www.fmv.is/?pageid=200>

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Business Customs

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Social and business etiquette in Iceland is similar to that in other western European countries. The business traveler coming to Iceland will quickly realize that while most customs and procedures are similar to the United States there are a few quite noticeable differences.

Since Iceland is a small community, access to key people is relatively easy although it is advisable to schedule appointments in advance. Since even the largest Icelandic corporations are relatively small, you may find the decision-makers in your meeting. Business meetings are usually informal and relaxed, but good preparation is important. Business cards are exchanged upon introduction. Extended small talk is not necessary, and getting straight down to business is appreciated though it can happen that Icelandic business people appear to be willing to spend more time discussing a situation than Americans are used to.

Simultaneous interpretation services are available, but are usually not required unless very detailed or technical work is involved. Most Icelanders doing business in a particular field will understand the relevant English technical vocabulary, but any contract may need to be translated. Icelanders like to combine business with pleasure, so establishing a friendly and personal relationship is a good way to do business. Business dinners are the preferred form of entertainment. It is considered appropriate to talk business over a meal, unless spouses are present. Icelanders enjoy dressing up and being social. There are no strict rules or formal dining customs that need to be observed. While Americans tend to dress up for work and dress down after work, the opposite is often the case in Iceland, although men in government, banking or business circles generally wear suits. An informal social event such as a business dinner still calls for a jacket and tie. Iceland has cool summers, and mild winters. Even in summer, clothing should include a sweater or jacket, a raincoat, and a good pair of walking shoes.

Understanding Icelandic names is important for business and social occasions. Only a small proportion of the population has family surnames, often foreign in origin. Most

people have a patronymic, formed from their father's first name with the ending "-son" or "-dóttir" (e.g. Arnar Jónsson (Arnar is Jon's son) or Anna Jónsdóttir (Anna is Jon's daughter). A woman does not take her husband's patronymic upon marriage. First names are the names by which people are known, and are thus generally used. Icelandic telephone directories list people in alphabetical order by their first name. Icelanders do not use "Mr." and "Ms." among themselves, although they may do so when among foreigners. Icelanders will not feel you are being overly familiar if you call them by their first names.

Travel Advisory

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Reykjavík offers a variety of hotel and guesthouse accommodations, many excellent restaurants, cafes, and wide range of cultural attractions. Note that hotel rooms can be difficult to find during the summer tourist season, and that it can be difficult to get a table at the more popular restaurants without an advance booking.

Iceland remains a relatively safe country for visitors. Reykjavík is safer than major cities in the U.S., although there is occasional street crime, particularly late at night in the city center. Visitors utilizing common sense and good judgment can expect to enjoy their time in Iceland without incident. Emergency services, including fire, police and ambulance, are available by dialing **112**. Emergency service operators speak English.

State Department Consular Information page for Iceland:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1138.html.

Visa Requirements

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U.S. travelers to Iceland must have a valid passport. Iceland is a party to the Schengen agreement. As such, U.S. citizens may enter Iceland for up to 90 days for tourist or business purposes without a visa. The passport should be valid for at least three months beyond the period of stay.

For further information concerning entry requirements for Iceland, travelers can contact The Icelandic Embassy or the Icelandic Directorate of Immigration.

House of Sweden,
2900 K Street N.W. #509,
Washington DC 20007-1704,
Tel: +1 (202) 265 6653.
Web site: <http://www.iceland.org/us>

Icelandic Directorate of Immigration
Skógarhlíð 6
IS-105, Reykjavík,
Tel: +354 510-5400
Web site: <http://www.utl.is>
E-mail: utl@utl.is

For information on visas see the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

The Consular Section of the Reykjavík Embassy:
<http://iceland.usembassy.gov/cons.html>

Telecommunications

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Telecommunication services are modern and readily available. High speed internet connections are available at all business hotels, and prepaid SIM-cards are also widely available.

Transportation

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Icelandair (www.icelandair.com) is the only airline with service to Iceland from the U.S. Destinations include: Boston, New York and Orlando all-year; and Minneapolis and Seattle in the summer. A second airline, Iceland Express (<http://icelandexpress.com>), has announced that it will begin service to New York in the summer of 2010. Travelers can take the airport bus, Fly Bus (www.flybus.is), from Keflavik Airport to their hotel destination. A return bus ticket costs about \$27 and takes about 50-75 minutes from the airport to your hotel. Private taxis are also available at the airport, but are significantly more expensive. Reykjavík's public transportation system consists of buses running to all areas of the city. Local cabs are readily available at taxi stands throughout the downtown area or by telephone. Prices depend on the length of journey and the time of day. The initial fare during business hours is about \$4 and each mile costs about \$2. No tipping is required. Rental cars are available at the airport and in Reykjavík, but are expensive. Gasoline costs about \$6.00 per gallon.

Language

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There is no language barrier for U.S. visitors to Iceland. Icelandic business executives and government officials are fluent in English and almost all Icelanders speak English to some degree.

Health

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A visitor to Iceland faces no special health risks, as the overall health conditions are excellent. No special inoculations are required. All milk and tap water is safe to drink.

Since Iceland is entirely surrounded by the ocean, it has a moderate, maritime climate year round.

The healthcare system in Iceland is different from that in the United States. Icelandic medical care is of very high quality and is comparable to the medical care one finds throughout Western Europe. Diagnostic laboratories and specialists in all fields of medicine are available. Hospitals are well-equipped, and maternity hospitals and many clinics are available. Most doctors and dentists speak English. Tourists should expect to pay for services provided. Most medicines are available locally. They may not, however, be the same brand names as those used in the United States and prices are generally higher than in the U.S. Tourists should bring a supply of any medicine that they know they will need. In case of emergency or fire dial **112**.

Local Time, Business Hours, and Holidays

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Icelandic work schedules are similar to those in the U.S., although many offices close early in the summer. Business activity slows down considerably from mid-June through mid-August as Icelanders take their summer holidays. Other slow times of year are the Christmas season and the weeks before and after Easter in the spring.

Business hours: 8 am -- 4 pm. Retail stores often open at 11 am and close at 6 pm.

Public Holidays in Iceland 2010:

The following days are public holidays in Iceland. Most shops and businesses are closed on these days, but some food stores and restaurants remain open.

New Year's Day: January 1

Maundy Thursday: April 1

Good Friday: April 2

Easter Sunday: April 4

Easter Monday: April 5

First day of summer: April 22

Labor Day: May 1

Ascension Day: May 13

Whit Sunday: May 13 Whit Monday: May 14 Independence Day: June 17

Summer Bank Holiday: August 2

Christmas Eve: December 24, public holiday from noon

Christmas Day: December 25

Boxing Day: December 26

New Year's Eve: December 31, public holiday from noon

Temporary Entry of Materials and Personal Belongings

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There are no restrictions on entry or exit of personal computers or laptops, software, or encrypted data. Commercial samples and exhibit items may be subject to customs duty. Samples may be imported into Iceland duty-free if they are of little or no commercial

value, or have been made unfit for use. Otherwise samples will be subject to duty. Samples carried by a commercial traveler, as well as pattern books or cards, must be declared upon arrival in the country. Goods can be completely exempt from customs duty and/or VAT when they are imported into Iceland temporarily, to be re-exported unmodified. Goods that fall into this category include materials for trade shows and exhibitions, some professional equipment, special tools used for assembling goods to be exported, replacement machinery or equipment during warranty repairs, samples, works of art to be exhibited, some medical, surgical and laboratory and scientific equipment used in hospitals, other medical institutions and for teaching and research purposes. Iceland honors the ATA Carnet, an international customs document designed to simplify customs procedures for business and professional people taking commercial samples, advertising materials or film, or medical or professional equipment into specified countries for a short period. About 65 countries participate in the carnet system. Information on the ATA Carnet can be obtained from U.S. Council for International Business.

Web Resources

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State Department Visa Website:

<http://travel.state.gov/visa/index.html>

United States Visas.gov:

www.unitedstatesvisas.gov

U.S. Embassy in Iceland:

<http://iceland.usembassy.gov/>

The Icelandic Embassy to the U.S:

<http://www.iceland.org/us>

The Icelandic Directorate of Immigration:

<http://www.utl.is>

Icelandair:

www.icelandair.com

Iceland Express

www.icelandexpress.is

Flybus:

www.flybus.is

Visit Reykjavík:

www.tourist.reykjavik.is

Icelandic Tourist Board:

www.icetourist.is

Iceland Naturally:

www.icelandnaturally.com

Icelandic Tourist Board:
www.ferdamalastofa.is

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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The telephone country code for Iceland is +354. There are no additional area codes. All numbers are 7-digits.

The U.S. Embassy in Iceland – Economic/Commercial Section

Laufasvegur 21
IS-101, Reykjavík
Tel: +354 562-9100
Fax: +354 562-9139
Web site: <http://iceland.usembassy.gov/>
E-mail: ReykjavikEconomic@state.gov

The U.S. Commercial Service in Sweden

Dag Hammarskjölds Väg
SE-115 89, Stockholm
Tel: +46 8-783-5346
Web site: <http://www.buyusa.gov/sweden/en/>
E-mail: stockholm.office.box@mail.doc.gov

The U.S. Embassy in Denmark Foreign Agricultural Service

Dag Hammarskjölds Allé 24
DK-2100 Copenhagen
Tel: +45 35-261081
Fax: +45 35-430278
Web site: <http://denmark.usembassy.gov/>
E-mail: agcopenhagen@fas.usda.gov

U.S. Department of Commerce Nordic Area Specialist

Washington, D.C. 20230
Tel: (202) 482-4414
Fax: (202) 482-2897
Web site: www.commerce.gov

Contacts in the U.S.

Icelandic government:

Embassy of Iceland

House of Sweden,
2900 K Street N.W. #509,

Washington DC 20007-1704,
Tel: (202) 265 6653.
<http://www.iceland.org/us>

Icelandic Overseas Business Service Consulate General of Iceland

800 3rd Avenue, 36th Floor
New York, NY 10022
Tel: (212) 593-2700
Fax: (212) 593-6269
Web site: www.iceland.org/us/nyc
E-mail: icecon.ny@utn.stjr.is

U.S. Council for Intl. Business

1212 Avenue of the Americas
New York, NY 10036
Tel: (212) 354-4480
Fax: (212) 575-0327
Website: www.atacarnet.com

Contacts in Iceland:

- Icelandic Government Agencies
- Trade Associations
- Banks/Financial Institutions
- Other Association
- Media
- Tourism

Icelandic Government Agencies

Ministry for Foreign Affairs

Rauðarárstígi 25,
IS-150, Reykjavík
Tel: +354 560-9900
Web site: www.mfa.is
E-mail: postur@utn.stjr.is

Ministry of Industry

Arnarhvoli
IS-150, Reykjavík
Tel: +354 545-8500
Web site: <http://eng.idnadarraduneyti.is>
E-mail: postur@ivr.stjr.is

Ministry of Economic and Business Affairs

Arnarhvoli
IS-150, Reykjavík
Tel: +354 560-9070
Web site: <http://eng.efnahagsraduneyti.is/>
E-mail: postur@ivr.stjr.is

Ministry of Fisheries & Agriculture

Skúlagötu 4
IS-150, Reykjavík
Tel: +354 545-8300
Web site: <http://eng.sjavarutvegsraduneyti.is>
E-mail: postur@slr.stjr.is

Government agencies:

Statistics Iceland

Borgartúni 21a
IS-150, Reykjavík
Tel: +354 528-1000
Web site: www.statice.is
E-mail: information@statice.is

The Icelandic Food and Veterinary Authority – MAST

Austurvegi 64
IS-800, Selfoss
Tel: +354 530-4800
Fax: +354 530 4801
Web site: www.mast.is
E-mail: mast@mast.is

State Procurement Agency (Ríkiskaup)

Borgartúni 7
IS-125, Reykjavík
Tel: +354 530-1400
Web site: www.rikiskaup.is (Icelandic only)
E-mail: rikiskaup@rikiskaup.is

Directorate of Customs

Tollhúsið,
Tryggvagötu 19,
IS-101, Reykjavík
Tel: +354 560-0300
Web site: http://www.tollur.is/default.asp?cat_id=66
E-mail: tollstjori@tollur.is

Environment and Food Agency (Umhverfisstofnun)

Suðurlandsbraut 24
IS-108, Reykjavík
Tel: +354 591-2000
Fax: +354 591-2020
Web site: www.ust.is
E-mail: ust@ust.is

The Icelandic Patent Office (Einkaleyfastofan)

Skúlagötu 63
IS-150, Reykjavík
Tel: +354 580-9400
Web site: www.einkaleyfastofan.is

E-mail: postur@einkaleyfastofan.is

The Icelandic Consumer Agency (Neytendastofa)

Borgartúni 21

IS-105, Reykjavík

Tel: +354 510-1100

Web site: www.neytendastofa.is

E-mail: postur@neytendastofa.is

Landsvirkjun

Háaleitisbraut 68

IS-103 Reykjavík

Tel: +354 515-9000

Web site: www.lv.is

E-mail: landsvirkjun@lv.is

Reykjavík Energy (Orkuveita Reykjavíkur)

Bæjarhálsi 1

IS-110 Reykjavík

Tel: +354 516-6000

Web site: www.or.is

E-mail: or@or.is

The New Business Venture Fund (Nýsköpunarsjóður)

Borgartúni 35

IS-105 Reykjavík

Tel: +354 510-1800

Fax: +354 510-1809

Web site: www.nsa.is

E-mail: nsa@nsa.is

Kadeco

PO-Box 420

IS-232 Reykjanesbær

Tel: +354 425-2100

Web site: <http://www.kadeco.is/english/>

E-mail: info@kadeco.is

Iceland Chamber of Commerce

Kringlunni 7

IS-103, Reykjavík

Tel: +354 510-7100

Web site: <http://www.chamber.is/default.asp?webID=5>

E-mail: mottaka@chamber.is

Icelandic-American Chamber of Commerce

Kringlunni 7

IS-103, Reykjavík

Tel: +354 510-7100

Web site: <http://verslunarrad.is/page.asp?id=594>

E-mail: mottaka@chamber.is

Invest in Iceland Agency

Borgartúni 35
IS-105 Reykjavík
Tel: +354 511-3000
Web site: www.invest.is
E-mail: info@invest.is

The Federation of Icelandic Trade (FIS)

Kringlunni 7
IS-103 Reykjavík
Tel: +354 588-8910
Web site: www.fis.is
E-mail: fis@fis.is

The Federation of Icelandic Industries

Borgartúni 35
IS-105, Reykjavík
Tel: +354 591-0100
Web site: www.si.is
E-mail: mottaka@si.is

The Trade Council of Iceland

Borgartúni 35
IS-105, Reykjavík
Tel: +354 511-4000
Web site: www.icetrade.is
E-mail: icetrade@icetrade.is

SVTH – Federation of Trade & Services

Borgartúni 35
IS-105, Reykjavík
Tel: +354 511-3000
Web site: www.svth.is
E-mail: svth@svth.is

Banks/Financial Institutions**The Central Bank of Iceland (Seðlabanki Íslands)**

Kalkofnsvegi 1
IS-150, Reykjavík
Tel: +354 444-6000
Fax: +354 569-9605
Web site: www.sedlabanki.is
E-mail: sedlabanki@sedlabanki.is

Arion banki

Borgartúni 19
IS-125, Reykjavík
Tel: +354 444-6000
Web site: www.arionbanki.is

E-mail: info@arionbanki.is

Íslandsbanki

Kirkjusandi

IS-155, Reykjavík

Tel: +354 440-4000

Web site: www.islandsbanki.is

E-mail: islandsbanki@islandsbanki.is

Landsbanki Íslands

Austurstræti 11

IS-155, Reykjavík

Tel: +354 560-6000

Web site: www.landsbanki.is

E-mail: info@landsbanki.is

NASDAQ OMX Iceland (Kauphöll Íslands)

Laugavegi 182

IS-105, Reykjavík

Tel: +354 525-2800

Web site: www.nasdaqomxnordic.com

E-mail: Iceland@nasdaqomx.com

Icelandic Financial Services Association (SFF)

Borgartúni 35

IS-105, Reykjavík

Tel: +354 591-0400

Web site: <http://en.sff.is/>

E-mail: sff@sff.is

The Financial Supervisory Authority (FME)

Suðurlandsbraut 32

IS-108, Reykjavík

Tel: +354 525-2700

Fax: +354 525-2727

Web site: www.fme.is

E-mail: fme@fme.is

Icelandic Securities Depository (Verðbréfaskráning Íslands)

Laugavegi 182, 5th floor

IS-105, Reykjavík

Tel: +354 540-5500

Web site: www.vbsi.is

E-mail: hjalp@vbsi.is

Other Association

The Icelandic Bar Association (Lögmannafélag Íslands)

Álftamyri 9

IS-108, Reykjavík

Tel: +354 568-5620

Web site: www.lmfi.is

E-mail: lmfi@lmfi.is

Society of Icelandic Advertising Agencies (SÍA)

Borgartúni 35

IS-105, Reykjavík

Tel: +354 562-9588

Web site: www.sia.is

E-mail: sia@sia.is

The Icelandic Aquaculture Association

Borgartúni 35

IS-105, Reykjavík

Tel: +354 591-0360

Web site: <http://www.lfh.is/english.htm>

E-mail: lfh@lfh.is

Federation of Icelandic Fish-Processing Plants

Borgartúni 35

IS-105, Reykjavík

Tel: +354 591-0350

Web site: www.sf.is (Icelandic only)

E-mail: sf@sf.is

Icelandic American Business Forum

www.iceabf.com

Email: iabf@iceabf.com

Media

Morgunblaðið

Hádegismóum 2

IS-110, Reykjavík

Tel: +354 569-1100

Fax: +354 569-1181

Web site: www.mbl.is

E-mail: morgunbladid@mbl.is

Fréttablaðið

Skaftahlíð 24

IS-105, Reykjavík

Tel: +354 550-5000

Fax: +354 550-5727

Web site: www.frettabladid.is

E-mail: skrifstofa@frettabladid.is

DV

Lynghálsi 5

IS-110, Reykjavík

Tel: +354 512-7000

Fax: +354 515 5599

Web site: www.dv.is

Viðskiptablaðið

Fiskislóð 22

IS-101, Reykjavík

Tel: +354 511-6622

Fax: +354 569-6692

Web site: www.vb.is

E-mail: vb@vb.is

The Icelandic National Broadcasting Service (RÚV)

Efstaleiti 1

IS-150, Reykjavík

Tel: +354 515 3000

Web site: <http://frettir.ruv.is/english>

Tourism

Icelandic Tourist Board (Ferðamálastofa)

Geirsgata 9

IS-101, Reykjavík

Tel: +354 535-5500

Web site: www.ferdamalastofa.is

E-mail: info@icetourist.com

Icelandair

Reykjavík Airport

IS-101, Reykjavík

Tel: +354 505-0300

Web site: <http://icelandair.com/>

E-mail: sales@icelandair.is

Iceland Express

Grímsbæ, Efstalandi 26

IS-108, Reykjavík

Tel: +354 550-0600

Web site: <http://icelandexpress.com/>

E-mail: icelandexpress@icelandexpress.is

SAS Scandinavian Airline Systems

Laugavegi 170

IS-105, Reykjavík

Tel: +354 588-3600

Web site: www.flysas.is

E-mail: bryndis.torfadottir@sas.dk

Visit Reykjavík

Aðalstræti 2

IS-101, Reykjavík

Tel: +354 590-1500

Web site: <http://www.visitreykjavik.is/>

E-mail: info@visitreykjavik.is

FlyBus (Reykjavík Excursions)

BSÍ Bus Terminal

IS-101 Reykjavík

Tel: +354 580-5400

Web site: <http://www.re.is/Flybus/>

E-mail: main@re.is

Iceland Naturally

Web site: www.icelandnaturally.com

E-mail: info@icelandnaturally.com

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

www.buyusa.gov/iceland/en

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

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